

VZCZCXYZ0005
PP RUEHWEB

DE RUEHMD #0205/01 0251648
ZNY CCCCC ZZH
P 251648Z JAN 06
FM AMEMBASSY MADRID
TO RUEHC/SECSTATE WASHDC PRIORITY 8714
INFO RUCNMEM/EU MEMBER STATES COLLECTIVE PRIORITY
RUEHBO/AMEMBASSY BOGOTA PRIORITY 4886
RUEHBR/AMEMBASSY BRASILIA PRIORITY 0395
RUEHBU/AMEMBASSY BUENOS AIRES PRIORITY 0260
RUEHCV/AMEMBASSY CARACAS PRIORITY 0880
RUEHLP/AMEMBASSY LA PAZ JAN 1161
RUEHPE/AMEMBASSY LIMA PRIORITY 1771
RUEHME/AMEMBASSY MEXICO PRIORITY 0477
RUEHMN/AMEMBASSY MONTEVIDEO PRIORITY 0966
RUEHQT/AMEMBASSY QUITO PRIORITY 1213
RUEHSG/AMEMBASSY SANTIAGO PRIORITY 0429
RUEHUB/USINT HAVANA PRIORITY 0102

C O N F I D E N T I A L MADRID 000205

SIPDIS

SIPDIS

WHA FOR A/S SHANNON
EUR/WE FOR KATHY ALLEGRONE, GARY CLEMENTS, AND MORGAN HALL

E.O. 12958: DECL: 01/24/2016
TAGS: [PREL](#) [SP](#)
SUBJECT: SPAIN: SCENESETTER FOR VISIT OF WHA A/S SHANNON

Classified By: Political Counselor Kathy Fitzpatrick;
reasons 1.4 (B) and (D)

11. (C) Spanish interlocutors are very much looking forward to your visit, which they see as the next step in our bilateral high-level effort to spur cooperation in Latin America and an opportunity to hear USG perspectives in anticipation of key regional elections. On the USG denial of authorization to include U.S. components in the Spanish aircraft sale to Venezuela, the MFA is clearly ready to move on, but the Spanish press remains eager to focus on the issue as a point of discord between the U.S. and Spain. You should address the matter as appropriate, but shift quickly to other issues on our agenda. Spain agrees with us on the need to promote democracy and rule of law in Latin America, but often lets the USG do the heavy lifting. We want to use your visit to spur greater public activism on this by Spain, including in sensitive countries like Venezuela, and encourage you to recommend a specific agenda for collaboration on key issues.

//MOVING BEYOND VENEZUELA ARMS DEALS//

12. (C) Your visit comes as the Spanish government is still smarting from our refusal to authorize the transfer of U.S. technology as part of the sale of EADS/CASA aircraft to Venezuela. Though our opposition to the sale had been made as loud and clear as possible to the highest levels of the Spanish government and to the public (a point acknowledged by the MFA, which is prepared to move on) the Spanish media will likely focus on this issue as a point of U.S.-Spain friction.

Your approach should be that we made our concerns clear from the outset of this episode, Spain made its decisions for its own foreign and domestic policy reasons, and we stand by our decision.

13. (C) We do not want to linger on the Venezuela planes issue, including in the press, at the expense of our potentially fruitful cooperation in our areas of common interest in the region. We must recognize, however, that while Spain shares with us the desire to foster democracy and stability in Latin America, the Spanish government's assessment of how to leverage Spanish influence will continue at times to put Madrid at odds with the USG, such as on the

Venezuela arms sale and the rush to ease EU measures on Cuba.

The Spanish government shares USG concerns about these regimes (and now about Bolivia's Morales government), but has calculated that nurturing ties with these governments will serve Spanish government and commercial interests over both the short and long term. This policy dovetails with the Zapatero government's desire to distance itself from the conservative Aznar government, to a certain extent because of lingering anachronistic romantic leftism within the Socialist Party.

14. (C) This policy is also advantageous to Spain's current and potentially massive future commercial interests in Venezuela, Cuba, Bolivia, and elsewhere in the energy, banking, tourism, and communications sectors. Spain will find ways to cooperate with the USG in Latin America, but will not do so if it believes its own interests to be in jeopardy. The Zapatero government may see this moment in time as a window of opportunity to establish Spain as a counterweight to U.S. leadership in the region. For this reason, Zapatero has focused much energy on the Ibero-American Summit process, in which Spain is the key outside actor and the U.S. is not a member. Our strategy should be to enlist Spain on areas where we clearly agree, and keep the pressure on Madrid to step up its responsibilities and to make tough choices in favor of those who support democracy in Venezuela, Cuba, and throughout the region. The Spanish would likely agree (in principle, at least) that it would be better if the USG were not the loudest pro-democracy voice in the hemisphere; we need Spain and the EU to play that role to an increasing degree. The Ambassador has kept up public and private pressure in this regard and your visit is an opportunity to press this message home.

//SPANISH BUSINESS INTERESTS IN LATIN AMERICA//

15. (U) Spanish exports to Latin America amounted to slightly less than 5 percent of the country's total exports in 2004, so exports are not typically a big policy driver (with the notable exception of the sale of ships and planes to Venezuela). However, investment in Latin America accounted for nearly 40 percent of the stock of Spain's Foreign Direct Investment overseas in 2003. Companies such as Telefonica, BBVA, Santander, Repsol, Endesa, and Iberdrola became important multinationals through major privatization-related acquisitions in the 1990s in Latin America. Spanish companies still invest in the region. Repsol plans major investments in Argentina, Brazil, Bolivia (pending political developments), Venezuela, Peru, and Trinidad and Tobago. As these companies mature, they have begun to diversify beyond Latin America, including through investments in the U.S.

16. (C) Government policy and Spanish opportunities are influenced by economic factors, but precisely how those factors play out varies by country. In general, Spanish companies coincide with their U.S. counterparts in pressing for stable investment climates and strong rule of law. For the time being, major investments in countries such as Mexico, Chile, Brazil are not subject to major political pressures. However, Spanish businessmen are keenly interested in the possible consequences of an Obrador victory in Mexico. Political factors are more important in:

-- Venezuela: Repsol has major investments in Venezuela and appears to have a satisfactory relationship with the Chavez government. The Zapatero government's moves to improve ties with Venezuela are likely welcomed by Repsol. However, in the case of the aircraft sale, EADS CASA executives privately told the Ambassador that they were not disconcerted by the USG denial of technology transfers as EADS CASA is more interested in sales to the U.S. One point of friction may be the treatment of Spanish nationals in Venezuela, whose property in some cases has been expropriated by Venezuelan authorities; Chavez promised Bono that the issue would be resolved by the end of January.

-- Argentina: The Kirchner government froze tariffs for

utilities, affecting Spanish investments in telecoms and energy distribution. The Spanish government has evidently not been aggressive in encouraging the Kirchner government to resolve this issue, a sore point with some Spanish companies.

-- Bolivia: Morales delivered a conciliatory address to Spanish business leaders during his recent visit to Spain, specifically stating that Repsol was not among the companies he accused of wrongdoing in Bolivia. Still, Repsol and other Spanish companies are watching Morales' actions closely. The Socialist-affiliated PRISA media group has important investments in Bolivia and Morales cited its publications in Bolivia as sympathetic to him.

-- Cuba: About 200 Spanish companies have investments in Cuba and the Spanish government closely watches USG actions under the Libertad Act (which is viewed with hostility by both the Socialists and the Popular Party). Sol Melia has major hotel management contracts in Cuba and Repsol has offshore oil exploration contracts. Spain is the largest supplier of non-oil related exports to Cuba. The expansion of economic ties is limited by Cuba's \$600 million debt to Spain's trade insurance agency. Despite rumors that this debt might be forgiven, we have seen no move in this direction.

-- Peru: Repsol recently agreed to assume a 20 percent stake in a USD 3.1 billion liquified natural gas plant which will send gas by ship to the U.S. The U.S. firm Hunt has 50 percent of the project. Repsol CEO Antoni Brufau went to Lima for the signing ceremony with President Toledo.

//PUBLIC OUTREACH//

17. (SBU) You will have a press interview and a roundtable at the Embassy with Spanish opinion leaders, as well as private meetings with the Popular Party and Socialist Party NGOs with democracy programs in Latin America. You should stress the positive in U.S.-Spain cooperation in Latin America, but also address broadly held negative assumptions regarding U.S. policy in Latin America. For example, Spanish officials regularly state their disagreement with U.S. policy in Venezuela aimed at "isolating Chavez," and (with respect to the debate over the arms sales) point to U.S. arms sales to Caracas as undermining USG grounds for denying the transfer of technology as part of the EADS CASA sale. This is an opportunity to highlight our balanced, pragmatic approach towards Chavez. Both government and opposition opinion makers often call for greater USG engagement in Latin America; you should use public outreach events and press interviews to review USG engagement with and assistance to the region. You should also note that the U.S. and Spain, as the largest investors in Latin America, have a shared interest in promoting transparency and rule of law throughout the region.

//YOUR MEETINGS//

18. (C) In your lunch with Deputy FM Bernardino Leon and your meeting with MFA DG for Latin America Javier Sandomingo, you will continue the working dialogue you and the Ambassador began with Spain on the margins of the 2005 UNGA. Both sessions are opportunities to advance a concrete work plan for U.S.-Spain cooperation in specific countries over the coming year. You should discuss specific steps we plan to take on key regional issues, as well as specific measures we would like Spain to undertake. While there is little value in reviewing the Venezuela arms sale debate, you should make clear that Washington continues to oppose the sale. They may ask about USG views on the next phase of the arms transfer, the sale of ships to Venezuela. Spanish officials have claimed that there would be no/no U.S. components involved in the ship sale, but that would seem difficult to achieve.

19. (C) Suggested approaches in key meetings:

-- Deputy FM Leon. In addition to seeing you on the margins of the Morales inauguration, Leon recently returned from meetings with Deputy Secretary Zoellick, during which the

Deputy Secretary reiterated the USG's interest in invoking the "no safe haven" designation in the case of former Nicaraguan President Aleman. Leon studied the matter and subsequently relayed possible interest in working with us on this issue; you should ask him to elaborate.

-- National Security Adviser Carles Casajuana. While we seek to keep Casajuana in the loop on important issues, he appears to be more a coordinator of Spanish foreign policy rather than a major player in formulating policy. Casajuana's importance rests with his direct daily contact with President Zapatero. When we want to relay important or sensitive messages to Zapatero, we often work through Casajuana. You should note that we see Spain as partners, not competitors, and are looking for specific projects on which we can cooperate.

-- Felipe Gonzalez. Ten years out of office, former president Gonzalez has played a generally positive role on Latin America. We do not want to use him to carry our message, however, because we cannot be sure of the outcome, given his own agenda. He is active in Ecuador and possibly in Bolivia, so should be a useful source of information regarding those countries. We are told he has a rocky relationship with Hugo Chavez. Gonzalez remains a major PSOE figure, but his influence is waning as the Zapatero government has gained confidence and pursued an agenda somewhat different from that of Felipe Gonzalez. Gonzalez also remains tainted by the massive corruption scandals during his tenure and the (unofficial) policy of extrajudicial killings of ETA members. Gonzalez frequently predicts the impending lifting of U.S. sanctions on Cuba as a result of pressure by U.S. companies, so he may raise this with you.

-- Enrique Iglesias. Iglesias is reportedly working hard to carve out a role for the permanent secretariat of the Ibero American Summit. He will likely seek to convince you that the Zapatero government worked to change the offensive language on the Cuba embargo and Posada Carriles in the public declarations during the Summit in Salamanca in October. You should stress our desire for greater coordination with the Summit, since the USG shares a strong interest in development/democracy issues addressed by the Summit. You should ask Iglesias how we can develop complementarity with the Summit of the Americas, as well as for his views on how all fora can work to protect and build democratic institutions in unstable countries throughout the region.

-- Business leaders. In your dinner with business leaders (including representative of Repsol, BBVA, Grupo Santander, and others), we expect them to express their concerns regarding political trends in Latin America and to support USG efforts to promote the rule of law. They will likely call for greater USG engagement in Latin America (in part because many Spanish business leaders are skeptical of the Zapatero government's approach). You should note that we need Spain (and Spanish institutions, including the business community) to join us in publicly defending transparency and democratic governance.

-- Club de Madrid Representative Sean Carroll. Carroll is knowledgeable regarding Spanish political views on Latin America issues and is well positioned to discuss Spanish opinions regarding USG policy in the region. It would be useful to sound him out on the Club de Madrid's willingness to undertake pro-democracy programs related to Latin America.

-- Pablo Iglesias Foundation (Socialist NGO). International Affairs Director Elena Flores recently met with WHA/AND Deputy Director Bruce Friedman and expressed interest in increasing support for Venezuelan civil society groups. Flores is an influential Social Democratic voice on Latin America within Europe. It would be useful to stress USG commitment to narrowing the disparities in Latin America, as well as to working with the democratic left to bolster democratic institutions throughout the Western Hemisphere.

-- FAES (Popular Party NGO). Unfortunately, key FAES international affairs personnel will be out of the country at an international convention of center-right parties, but FAES asked to organize a small meeting with affiliated opinion leaders to discuss their views on trends in Latin America. The Popular Party is keenly interested in working with U.S. organizations to bolster democratic governance in Latin America, but remains distracted by domestic political events.

You should thank the Popular Party for its strong defense of democracy in the region.

AGUIRRE